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ZIMBABWE'S TRADE AND ECONOMIC PROSPECTS IN CONTEXT OF SOVIET ECONOMIC REFORMS

I. GENERAL OVERVIEW OF THE FRAMEWORK

1. This rather brief paper addresses itself to the objective of the radically restructured economic system of the Union of Soviet Socialist Republics (USSR) from the point of view of possible trade prospects for the Zimbabwean economy. Basically because according to Mr. Mikhail Gorbachev, his announcement represented a definite "Radical Restructuring of Economic Management" 1/ that was never before imagined by the Soviet people and even the world at large.

2. However it is important to state from the outset that the changes have not paved the way for the emergence of private Soviet enterprises like is the practice in the market economy countries. What has been attempted is to give more leeway to them than had hitherto been the case. They are being allowed to enjoy more commercial freedom against proved efficient management of their respective enterprises. It is therefore these new leeways and others which this paper will attempt to examine more closely with a view to suggesting ways in which Zimbabwean business houses can exploit its advantage within the context of the country's resources endowment.

3. Meanwhile also, it should be pointed out that economic and political relationships between Africa and the socialist countries of Eastern Europe (including the USSR) only accelerated from about the late 1950s. It is therefore not surprising that formal contacts on the other hand, between Zimbabwe and the socialist countries of Eastern Europe, especially with the USSR only dates back to the year of Zimbabwe's own independence. Perhaps that is what explains in part the presence of the USSR delegation at the Zimbabwe Conference for Reconstruction and Development (ZIMCORD). Since then, there have been several bilateral contacts between the two countries both at official and private levels.

4. The importance of developing trade and economic relations with Africa's non-traditional partners especially with the USSR needs no further stressing 2/. First and foremost, trade creation and diversion offers tremendous opportunities in lessening the vulnerability of many an African economies who are characteristically dependent on one trading partner. Second, increased protectionism in the principal traditional export markets to commodities of African interest necessitates a search for alternatives. Third, the USSR is not only the largest buyer or importer of many African primary commodities but that its own envisaged expansion offers further prospects for increased exports even if not necessarily for African end products. Fourth, the current restricted interpretation of interdependence can possibly be nurtured on a more mutually advantageous basis to both

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1/ Mikhail Gorbachev, "On the Tasks of the Party in the Radical Restructuring of Economic Management", The Report and Concluding Speech by the General Secretary of the CPSU Central Committee, June 25-26, 1987, Novosti Press Agency Publishing House, Moscow, 1987.

2/ See ECA, Prospects for Developing Trade between African Countries and the USSR and Major Market Opportunities, E/ECA/TRADE/90, Addis Ababa 28 August 1987.

parties. The other assumption in this is that such a course of action offers opportunities for the rules of the game to be structured and to avoid the entrenchment of "the rider and horse" mentality. In other words, where the former, the developed industrialized countries and especially their transnationals take such a situation for granted as they ride on the less developed partner.

5. Consequently there have been a number of resolutions adopted by the various African legislative bodies. Emphasis in each case was put on the need to promote trade relations with the region's non-traditional partners. Thus:

(a) The Eighth Session of the Conference of African Ministers of Trade in Brazzaville in the Republic of the Congo from 28 to 31 October 1985 called upon both ECA and the OAU secretariats in co-operation with UNCTAD to assist with the promotion of trade between the African and the socialist countries of Eastern Europe. Among other things in which they called for action were:

- "finding ways of persuading the socialist countries of Eastern Europe to abandon their attitude based on historical consideration towards global proposals by the developing countries and towards African exports of manufactures and semi-manufactures; seeking ways of facilitating the access of African commodity exports to socialist countries of Eastern Europe; and

- encouraging trade missions and business tours between these two groups of countries";

(b) ECA resolution 560(XXI) of 19 April 1986 on trade and development finance, not only endorsed and reiterated the above, but also proceeded to request that in promoting trade between the African and the socialist countries of Eastern Europe and with China, concrete measures were to include:

(i) "Development of effective ways of expanding trade flows especially in semi-processed, processed and semi-manufactured products; and

(ii) Encouragement of trade missions and business tours between Africa and these countries."

(c) ECA resolution 591(XXII), in considering the needs of African countries in this field, requested "OAU, ECA and UNCTAD secretariats and the socialist countries of Eastern Europe to intensify their technical assistance activities in this area... to fully implement their programme of training, dissemination of information and advisory services on national, regional and interregional levels".

6. It was partly in response to the above that ECA in collaboration with the other UN secretariats has undertaken a number of activities. For example, a number of analytical studies have been undertaken for the benefit of member States. Similarly, national and interregional meetings and seminars have been conducted enabling officials to exchange and share experiences. In addition to the above have been business and study tours for African businessmen organized in a number of socialist countries. The latest of these African business tours took place in Moscow and Minsk from 28 September to 6 October 1987. This Workshop and study tour was attended by 23 participants from the following 18 African countries: Botswana, Burkina Faso, Egypt, Ethiopia, Gabon, Ghana, Guinea, Kenya, Madagascar, Morocco, Nigeria, Senegal, Sudan, Togo, Uganda, Zaire, Zambia and Zimbabwe. 3/

II. THE GENERAL FRAMEWORK

(a) Africa's trade structures

7. Trade and economic relations between Africa and especially in the case of Zimbabawe, with the Soviet Union is part and parcel of such relations at the global level. Needless to say, it is a sum total of disaggregation and aggregation equations, depending on what is to be achieved. First and foremost, it ought to be realized that Africa's main traditional trading partners are the members of the Organization for Economic Co-operation and Development (OECD). They constitute Africa's main markets for its exports and source of imports. This group is made up of countries of Western Europe, North America and Japan.

8. In discussing Africa's trade structures it is also important to take a close look at the region's commodity composition, especially the existing difference in each of the markets. One most glaring difference concerns the low level or share of petroleum exported by Africa to the socialist countries of Eastern Europe. This is because the structure of these countries' intra-regional trade is not only of great importance but also greatly determines what items they must buy or import from each other. Consequently, their import of fuels from the USSR accounts for the bulk of the USSR and East European foreign trade. Between 1980 and 1986, their intra-regional trade increased at an average annual rate of 6 per cent in dollar terms. The increase in exports recorded for the USSR economy was mainly due to the sales of fuels to the other six countries (CMEA) which increased at an average annual rate of about 10 per cent. Implied in this also is the fact that African producers and exporters as well as others with a potential to export petroleum may have better prospects but unlikely to gain a foothold as long as the above situation continues unchanged.

9. Perhaps some of these trends are better appreciated against general trends at the global level. For instance in the period 1980-1986 world trade in export goods was estimated by various organizations to have averaged

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3/ United Nations, Report of the Training Workshop on Trade Expansion and Study Tour for African Businessmen in the USSR (Moscow and Minsk), 28 September - 6 October 1987), E/ECA/TRADE/101, December 1987, para. 31.

3 per cent per annum. Growth in 1985 and 1986 respectively was estimated at a little higher than average, at 3.5 per cent. There is however a need for caution regarding the interpretation of statistics on annual trade values because of certain variations between sources. It is significant however that in Africa primary commodities account for nearly 90 per cent of foreign exchange earnings. On the other hand, the volume of imports was down by about one third in 1985 from their peaks in 1982 and 1981 respectively. The significance of the adverse trends emanates from the fact since 1980, the combined share of exports of petroleum and non-fuel primary commodities has declined. A trend which reflects the world's general depressed market conditions in as far as these product categories are concerned. This can be said to be a manifestation of a collapse in commodity prices. In addition to the above is the observed trend that in over twenty-five developing African countries, a certain number of manufactured exports in the importing countries have come under increasing pressure. Most of the compelling factors in these countries have to do with measures of liquidity and credit control designed to restrict "non-essential" imports in response to the above (lower export earnings) and decline in net capital inflows.

10. It is important also to note that these developments take place within a set pattern of the so called international trading system. A system which according to UNCTAD has been described and discussed variously. It is a system that characteristically requires:(a) correcting the adverse tendencies of its own operational structure (it being understood that it is circumscribed by the rules of the Bretton Woods) which gave birth to the International Monetary Fund and the International Bank for Reconstruction and Development on the one hand. On the other hand, to the so called principle of "non-discrimination" as enshrined in the General Agreement on Tariffs and Trade (GATT) to mean pursuance of "the most-favoured nation clause"; (b) ensuring that appropriate reforms are implemented to it with a view to ensuring its continued relevance to changing structures of world trade; (c) dealing with the problems arising from the inherent inadequacies and limitations of the system; and (d) establishing a mechanism to deal with developments which occur outside the field of trade policies but which affect the functioning of the trading system, so as to "cushion" their impact on the operation of the system. 4/

11. Admittedly, available data is far from being complete. It is nevertheless evident, that since the early 1970s, the composition of the region's output has not made much significant changes. In particular, in terms of both the region's spectrum of exports and imports. For example, on the import side during the 1983-1986 period, machinery and transport equipment and other manufactured goods comprised on average, nearly 60 per cent of total imports. A relatively new phenomenon beginning in 1984 was the increased share of food imports, including higher levels of food aid. These increased by 2 per cent points in 1985 from 16 per cent in 1983. This trend was in itself a reflection of the region's continuing decline in its food output.

4/ United Nations, Revitalizing Development, Growth and International Trade: Assessment and Policy Options, United Nations Conference on Trade and Development, New York, 1987, pp. 143-4.

12. Needless to say also about the announced changes in the Soviet Union economy is that Africa has bemoaned its earlier acceptance of the concept of interdependence. In practice, it tends to apply mainly among the industrialized countries themselves of which the Soviet Union is an integral part while the majority of the developing countries continue to be on the periphery. Consequently, shifts in policy among the industrialized countries, despite the pious hopes which are sometimes raised about the mutuality of interest, have only ended up in creating a sort of pessimistic atmosphere among the fragile African economies. Particularly since there are no visible signs about the ability and willingness of the international community to genuinely restructure the system of international trade. Let alone to encompass trade in primary commodities which continue to be Africa's lifeblood 5/.

(b) Trade and economic relations with the USSR

13. Some of the ways and means of promoting trade between Zimbabwe and the Soviet Union are inseparable from many of the elements briefly analysed a little earlier. As stated above, the USSR is the largest trading partner of developing Africa among the group of socialist countries of Eastern Europe. In 1960, the Soviet Union had formal trade relations with only six African countries. Before then also, products of the USSR and other East European countries were hardly found on the shopping list of most present independent African countries.

14. Exports by the Soviet Union to Africa in 1980 were about US$1,352 million or about 1.8 per cent of its total world exports. These rose to US$1,614 million or 2.0 per cent in 1981, to US$1,794 million or 2.1 per cent in 1982, to US$2,111 million or 2.3 per cent in 1983 but declined to US$1,763 million or 1.9 per cent in 1984 and to US$1,567 million or 1.8 per cent in 1985. African exports to the USSR on the other hand, were about US$1,572 million or 2.3 per cent in 1980, about US$1,634 million or 2.2 per cent in 1981, about US$2,412 million or 3.1 per cent in 1982, but declined slightly to US$2,297 million or 2.9 per cent in 1983 and then rose to about US$2,405 million or 3.0 per cent in 1984 and declined again in 1985 to US$2,253 million or 2.7 per cent.

15. On the basis of the brief statistical analysis given in the accompanying tables, export and import trends do not reveal as much as is necessary about the relative importance of the overall trade flows between this group of countries. They do however show certain relations and that they are a siginificant factor to envisaged economic development. The overall picture also hides a number of differences which exist in the trade flows between these two groups. For instance, the 11 per cent decline in 1986 in the USSR's terms of trade (the ratio of export unit values to import unit values) was compensated for by large increases and opposite movements in the volume of exports and imports which resulted in a doubling of trade surplus. According to estimates put out by the General Agreement on Tariffs

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5/ See Jonathan H. Chileshe, "Primary Commodities: Africa's Lifeline and South-South Co-operation", Primary Commodities: Challenge to Co-operation among Developing Countries, Research Centre for Co-operation with Developing Countries, Ljubljana, 1986, pp. 289-300.

and Trade (GATT), the value reached more than US$8 billion in that year. 6/ In the meantime also, USSR's trade surplus with the developing countries expanded nearly threefold to almost US$7 billion and was the highest level ever recorded with the later.

16. Available data show that Africa's exports to the USSR consisted mainly of the following agricultural raw materials: cocoa; coffee; spices; natural rubber; cotton; hides and skins. The composition differs with that destined into Africa's traditional market of the market economy countries which includes a large share of petroleum and tropical timber. Basically because the Soviet Union is itself a major producer and exporter of petroleum. Similarly, the Soviet Union does not encourage the import of hard woods for its furniture and timber industries. However consumption data of some of these items namely, fibres, coffee and cocoa which rose at rates higher than average in the period 1980 to 1985 also need to be treated with great caution. It is also perhaps most interesting to observe other aspects of these trends. Not least of all the per capita consumption of these restricted products in the USSR was much below the levels reached in most developed market economy countries. The question that we should try and answer is whether any such likely increase or rise would be to Africa's advantage? In other words would a potential for increased African exports exists only where ways can be found to raise the per capita consumption rate in the USSR assuming that the particular importing country makes it a deliberate course of action in favour of an African exporter.

17. It is therefore not without reason to reiterate doubts regarding prospects for Soviet-African trade expansion in the absence of such deliberate engineering. Perhaps it will ultimately depend on the pace and scope of economic development in the African countries themselves. Similarly, on how the pattern of structural changes in the Soviet Union will be implemented, notwithstanding certain traditional commitments. It can not be denied that there is a tremendous potential for expansion of Soviet-Zimbabwe trade relations. But that such a potential can be better exploited where conditions are not only conducive but also where account is taken of Africa's special circumstances. These circumstances include the possibility of joint ventures and counter trade arrangements. This is why it is not enough to stop at the announcement of radical economic changes in the Soviet Union. It is therefore imperative to ensure that provision is specifically made in order to answer to the special difficulties of the African trade partners.

III. THE FOREIGN TRADING SYSTEM OF SOCIALIST COUNTRIES

18. To better appreciate some of the likely implications of the radical economic changes of the Soviet Union requires more than background information of the previous situation. In other words, the new changes must be seen against other changes which may have taken place in terms of attitudes and

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6/ See GATT, International Trade 86-87, General Agreement on Tariffs and Trade, Geneva, 1987, p.106.

modifications to the structures. Events that have taken place in the USSR in recent times seem to bear a message of optimism for the world at large. In particular the economic reforms associated with Mr. Mikhail Gorbachev since he became the first General Secretary of a new breed of world leaders. More so as a member of the postwar generation with a different outlook on the world. For one thing, his approach to foreign affairs would be difficult to understand without reference to his economic policy.

19. In a nutshell, his view point of development of the Soviet economy is determined by his country's interest in the international arena. We will therefore be forgiven, some of us, if we stress the absence of the African interest in those priorities. It is from this stand point, that this analysis intends to proceed in the hope, not only of generating full and fruitful debate but also to obtain wise counsel on how those changes can be profitably exploited.

(a) Trading with the Socialist Countries of Eastern Europe

20. Trade by African countries or for that matter any other country of the world with the socialist countries of Eastern Europe is a sum total of the flow of exports and imports. It involves ways and means of effecting payments and getting those goods and services to their end-users. Each transaction is a result of hard-nosed bargaining even if some will try and play down this element. This particularly is the case for those who rely on sentiments of sovereign equality even when they know deep in their hearts that there are main differences between the partner states.

21. Nevertheless the structures of foreign trade in the socialist countries of Eastern Europe are basically the same. They are all very closely linked with national production entities. Producers (who use raw material inputs to produce whatever is eventually traded) on the one hand and those who engage in foreign trade (by way of exports and imports) on the other hand, are conceived and considered as mutually responsible for the total package of commercial deals. The third arm of these institutions comprises the financial mechanisms through which it is obligatory to pass all payments for such transactions.

22. According to a recent study of the United Nations Conference on Trade and Development, a lot is given about the main framework of trading with socialist countries of Eastern Europe. 7/ For instance, there has been a tremendous increase in the number of entitites entitled to carry out foreign trade operations in many socialist countries of Eastern Europe. Perhaps, triggered by the need to perform different functions to ensure the expansion of foreign trade. These entities can be grouped in the following broad categories. In terms of those which operate in foreign markets, they include:

(i) Specialized foreign trade organizations (FTOs);

(ii) FTOs or their independent offices incorporated into industrial associations;

7/ United Nations, Manual on trading with the Socialist Countries of Eastern Europe, UNCTAD/ST/TSC/1/Rev.1, para. 10.

(iii) Industrial enterprises with the right of direct access to foreign markets,

(iv) FTOs dealing with a broad variety of goods (trading houses); and

(v) Foreign trade cooperative organizations.

23. Other important points of departure or channels apart from the above five broad categories include the institutions of Chambers of Commerce and each country's trade representatives abroad. This battery would be incomplete without the contribution of such instruments as signing of intergovernmental treaties and agreements, specifically designed to cater for trade and economic cooperation:

- The Chambers of Commerce: These institutions are considered as non-governmental organizations. Their membership draws from each country's foreign trade organizations, industrial and commercial institutions. Their responsibilities include among others: promoting domestic trade and foreign trade relations; providing information to foreign firms and national organizations with a view to establishing business contacts and finding additional markets; establishing relations with foreign industrial and commercial organizations and international organizations. They are also responsible for arranging business visits for foreign commercial and industrial delegations in their respective countries on the one hand and foreign visits for their own national delegations that go to investigate possibilities of foreign markets on the other hand. Furthermore, they are responsible for arranging international trade fairs and exhibitions as well as dealing with the foreign trade documents and certificates necessary for international business contacts.

- Trade representatives abroad: They are a major instrument of the foreign trade structure of socialist countries. They compliment the work of the chambers of commerce and in their own right, represent their respective country's interest in foreign trade. They specifically promote the development of trade and economic relations as well as foreign exchanges with the host country.

- The instrumentality of intergovernmental treaties and agreements: This is another important feature of trading with socialist countries of Eastern Europe which developing African countries are expected to adjust to. Most commonly used, are bilateral long-term trade treaties and agreements which elaborate and regulate trade and economic relations between them and their foreign partners. Many of the bilateral agreements have been for periods of 10 or 15 years. In certain instances also, joint commissions have been established between signatory countries to compliment these agreements with a view to monitoring progress or implementation of such agreements. Payment clauses form part of those agreements. A system of clearing arrangements predominated in the initial stages but were subsequently replaced by new agreements during the 1970s with the stipulation that payments be effected in convertible currencies.

(b) Zimbabwe's trade with the USSR

24. The history of Zimbabwe's trade and economic relations with the USSR is relatively short. By and large, it is part of the country's relations with most other non-traditional partners and especially, Eastern Europe.

25. Trade of the USSR is mainly with other members of the Council for Mutual Economic Assistance (CMEA). There has however been substantial trade with the developed market economy countries, a factor which any African country contemplating to do business with the USSR is bound not to overlook because all likely future trends are bound to be affected by it both in terms of trade diversion and/or creation. Soviet trade with developing countries has been expanding in recent years, except for the rather low level with developing Africa.

26. Furthermore, the export commodity structure of the USSR in the period 1980-1986 was dominated by fuel and energy, followed in second place by machines and equipment. Other significant exports included ferrous metals, wood and paper products as well as chemicals. On the other hand, Soviet imports are characteristically dominated by engineering products. The bulk of which are obtained from the other socialist countries of Eastern Europe. The remaining one-third are imported from the developed market-economy countries. In other words, items imported by the USSR from sources other than the two above include: phosphate fertilizers; natural rubber; a very limited amount of tropical timber (which may seem like a contradiction of what was stated a little earlier) and paper; grain; meat and meat products; sugar (mostly from Cuba on the basis of bilateral agreements); vegetable oil; vegetables; cotton textiles; clothing; footwear; furniture and other consumer items.

27. To what extent therefore can some of the available statistical data be a useful measure of the potential of trade and economic relations between Zimbabwe and the Soviet Union depends on how the trade is to be initiated and sustained? Answers to some of these questions, could perhaps help with the analysis of what lies ahead in the context of the recently announced radical economic management of the Soviet Union.

28. Zimbabwe's total world exports in 1980 was about US$1414.5 million but then declined all through the 1980-1986 period reaching US$999.5 million in 1986. The percentage share of its trade with the Centrally Planned Economies was lowest in 1982 (0.8 per cent) but rose to 3.6 per cent in 1983. Hence, not even the slight increase in 1985 to US$1112.7 million was able to improve the country's overall export performance. Zimbabwe imported from the world in 1980 about US$1290 million and in 1981, US$1472 million. In the following years the trend was one of decline; US$1430 million in 1982; US$1052 million in 1983; and US$959 million in 1984 before rising slightly in 1985 to US$964 million and to US$985 million in 1986.

29. On the other hand, Zimbabwe imported from the USSR during this period relatively more than it exported to that country. However, data in the table shows a relatively higher percentage for the 1986 period. Thus Zimbabwe's imports were: in 1981 (US$0.8 million); in 1982 (US$2.5 million); in 1983 (US$0.7 million); in 1984 (US$0.6 million); in 1985, the same as in 1983; and in 1986 (about US$0.5 million). Zimbabwe's exports on the other hand were of the order of US$0.6 million in 1981, about US$0.1 million in 1982 and much less than in 1982 in the three years following (1983, 1984 and 1985) but then reached their highest level in 1986 at an estimated value of US$1.9 million.

30. It is these rather negative growth rates, when taken together with data given in the tables that can be used in assessing Zimbabwe's trade expansion prospects in the context of the recent economic changes announced in the Soviet Union. Naturally, such an assessment will have to bear in mind first and foremost, Zimbabwe's natural resources endowment and also what changes the Zimbabwean economy must introduce to be effectively competitive. This is particularly important for such sectors as agriculture where Zimbabwe has a great potential (meat and meat products, tobacco, cotton, sugar cane, wheat). Similarly for certain minerals (asbestos, coal, chrome, iron ore, tin and gold). In addition is the fact that Zimbabwe has a very well developed manufacturing sector with a proven capability of meeting competitively a variety of items which the Soviet Union imports from other CMEA members and also certain developed market economy countries. Some of the studies conducted in this area in 1985 put Zimbabwe's manufacturing sector in terms of sophistication and diversity, second only to Cote d'Ivoire in Sub-Saharan Africa. Another important element of the Zimbabwean economy is its tourism sector as a major earner of foreign exchange. The question becomes one of establishing the extent to which some of the liberal policies announced in the Soviet Union can rub off and benefit the Zimbabwean tourism industry? It will therefore be necessary to enquire into some of the likely inhibiting factors to exploiting the tourism potential, assuming that the Soviet citizens are the target points.

31. What should also not be too easily overlooked in considering any of these factors is the fact that the USSR has most of these constituent elements in abundance. Furthermore, the USSR is also trying to step out of its own shell to become an export giant. Conversely, to become less as a major importer of products of others. It therefore becomes another question of reconciliation of two opposites. How, may we ask, would Zimbabwe's export prospects fit in this puzzle? Some of the answers to those questions are part of the analysis in the chapter which now follows.

IV. LIKELY IMPLIED MEANING OF THE SOVIET ECONOMIC REFORMS

32. It is rather too early for any one to be categoric about what lies in store for countries like Zimbabwe. It is also difficult to establish criteria in which or against which the economic reforms announced by the Soviet Union should be assessed. Perhaps some painstaking at analysing what was said at the Plenary Meeting of the CPSU Central Committee on 25 and 26 June 1987 would be a good basis. In the meantime, several scholars and other interest groups have taken some trouble to understand what these reforms are about.

33. There are many other questions which go begging for answers. Not least of these is the likely envisaged changes for both the Soviet Union's fraternal states, members of the CMEA and those who are not. In particular if the changes have made very significant departures from what is stated in Chapter III above? This is why it becomes necessary to devote a little space to restating some of the main or salient features of the reforms themselves. The few sources to which we have turned to agree in part but also disagree over certain areas. Thus there is a lot of room for other analysts to put forward their own assessed view on the subject.

34. However there is some sort of general agreement in the light of the various comments as pointed out by Roderic Lyne that "in economic policy, Mr. Gorbachev has drawn a sharp distinction between his own approach (and Andropov's) and the policies of Brezhnev." 8/ His conclusion is based in the main on the contents of the "Political Report" to the 27th Party Congress. In his opinion, it made no bones about the negative processes that had surfaced in the late 1970s and the early 1980s. In other words, he openly drew a line using 1983 as watershed for the package of economic reforms his regime wanted to see implemented 9/.

35. Therefore some caution ought to be exercised by those outside the Soviet Union structure in assessing the reasons behind the necessity and essence of the "Reform". Particularly since there is no mistaking the fact that it was intended first and foremost to cater for the wellbeing of the Soviet Union's own economy. Hence it was intentional that Mr. Gorbachev reminded his countrymen as regards the intended objective of the radical reform of economic management. He is on record saying: "Comrades, today as we discuss radical restructuring of economic management we must keep a realistic picture of the state of our economy as we entered the 1980s. By that time the rate of economic growth had dropped to the level which virtually signified the onset of economic stagnation. We began to concede one position after another, and the gap we knew in production efficiency, output quality and in technology as compared with most developed countries began to widen". 10/

8/ Roderic Lyne, "Making waves: Mr. Gorbachev's public diplomacy, 1985-86", International Affairs, Vol. 63, No. 2, Spring 1987, p. 210

9/ For instance, at the Central Committee Plenum on 23 April 1985 Mr. Gorbachev said: "Thanks to the Party's active work, beginning in 1983, we have been able to straighten out the work of many segments of the national economy".

10/ Mikahil Gorbachev, op.cit., p. 36.

36. It is thus evident that the aim of restructuring economic management is to re-orient the economic growth of the Soviet Union from intermediary to final, to bring about socially significant results and meet the public needs, promote all-round development of the individual, making technology advancement fundamental to economic growth and creating a dependable cost-wise mechanism. Implied in these changes as admitted by the Soviet Union authorities is renovation of their economic forms of socialism, proceeding from "the requirements of Soviet society's development...and thereby fund the scope for an economic overhaul" 11/.To achieve these objectives it was considered prudent that the system should focus at least in the following areas:

(a) Firstly, a drastic extension in the margins of independence for amalgamative and factories, their conversion to full-scale profit-and-loss accounting and self-financing, increased responsibility for high end results, fulfilment of obligations to clients, a direct linkage of the collective's income level to its work performance etc.;

(b) Secondly, a radically restructuring of the centralized economic management, raising the qualitative level and focusing it on the main issues that determine the strategy, quality, pace and proportions of development for the national economy as a whole and its optimal balance, while at the same time decisively relieving the centre of interference in the day-to-day activities of subordinate economic bodies;

(c) Thirdly, a cardinal reform of planning, pricing, financing and crediting, transition to wholesale trade in productive goods, and reorganized management over scientific and technological progress, foreign economic activities etc.;

(d) Fourthly, the creation of new organizational structures to ensure deeper specialisation and more reliable co-production schemes, the direct involvement of science in production and on this basis a breakthrough in world-standard quality; and

(e) Fifthly, going over from an excessively centralized command system of management to a democratic one, promoting self-administration, creating a mechanism for activating the individual's potential, clearly delimiting the functions and fundamentally changing the style and methods of work of Party, local government and economic bodies.

37. The new system talks liberally of democracy as defined in its own terms. Implied by the shift of democracy under the fifth area of attack above is its being linked indivisibly with the active use of the various forms of cooperative and individual enterprise projects, alongside State ownership. In other words, the reforms reject the emergence of private enterprises. What the reforms are intended to have done is paving the way for State

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11/ Gorbachev, Ibid., pp.43-48.

enterprises to be able to deal directly where there is such a need, with non-state enterprises and private individuals as well as private enterprises of other countries. This includes entertaining joint ventures with non Soviet private enterprises in the Soviet Union.

V. SUMMARY OF THE OBSERVATIONS

38. There are fundamentally two areas to which attention has been focused in this analysis. The first one is that the reforms are intended, as stated above, to help the Soviet Union's own economy. In other words, the reforms are bent on helping reverse the impending danger that has been perceived that the Soviet Union could suffer further economic stagnation. The aim therefore is to stem or stop the loss or conceding by the Soviet economy of one position or economic advantage after another to other world exporters. Particularly because this has resulted in widening the gap in production efficiency between the Soviet Union on the one hand and other competitors on the other hand. Secondly and not any less important is that the USSR has reassured its other CMEA members that the reforms are not intended to change the status quo existing between them.

39. Some of the answers to these perplexing questions as well as the doubts we raise can be better provided by none other than the officials charged with manning the Soviet Union enterprises. Nonetheless Zimbabwe has made a good start with this seminar which provides a forum. Another starting point ought to be its export potential, analysed briefly earlier which Zimbabwe can claim to have. For instance, how possible is it for Soviet Union enterprises, given the heralded democracy, be able to import Zimbabwean products without first having exhausted supplies from other CMEA countries? The reality of adherence by CMEA members, to suppliers from within their own arrangement is enshrined in the protocols of their association. It is an open secret that "in matters of raw materials and energy, the aim of socialist countries (members of the Council for Mutual Economic Assistance) was to make the best use of the resources available in each socialist country as cited in the action which had been taken in respect of Polish coal...when all socialist countries needing coal were obligated to supply capital goods to the Polish coal mines to receive in exchange shipments of Polish coal etc." 12/

40. Zimbabwe has a very sophisticated manufacturing sector. Its products are of very high quality and therefore likely to be competitive in Soviet Union market. This is why we would like to suggest for a course of action to be jointly undertaken by the two countries with a view to examining ways in which Zimbabwean products could begin to be imported in the Soviet economy. Admittedly, there is no ignoring the temptation that officials in the Soviet Union are pre-occupied with the task of narrowing the gap and therefore could

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12/ See Jonathan H. Chileshe, The Challenge of Developing Intra-African Trade, East African Literature Bureau, Nairobi, 1977, p. 70.

find this a little difficult. There is also very little information on which to base these considerations about prospects of expanding or taking advantage of the new Soviet Union reforms as in the case of the tourism sector?

41. It is clear at least on the basis of the foregoing, that treatment of any of these issues would be no different from what takes place in dealing with any other commercial transaction. Perhaps the most likely lines of little resistance in this particular case falls in one of the following three options:

(a) Government credits granted by the USSR Government through the State Bank on fixed terms and conditions, usually for the financing of projects covered under long-term agreements. The rates of interest are normally fixed between 2.5 and 3.0 per cent, with amortization periods of up to 10 or 15 years with a grace period of up to 5 years. The question is can Zimbabwe obtain any better terms than these? Alternatively what can Zimbabwe offer to attain this later goal?

(b) Bank credits usually granted to developing countries to enable them to finance their trade under terms of trade agreements with the Soviet Union itself. These credits are for periods of about two years and at most not more than three years. They carry rates of interest which generally follow trends in the world money markets; and

(c) Commerical credits which the Soviet Union's foreign trade organizations (FTOs) are permitted to extend no different from any other world commercial enterprise. Interest rates are negotiable but are never below the ones referred to immediately above.

42. It is important therefore for Zimbabwe to reflect on many of the issues highlighted. There is no doubt that great potential exists for promoting and expanding trade with the Soviet Union, 13/ even if we have not touched on some of the problems in the transport sector. Equally important in discussions with the Foreign Trade Organizations of the USSR is that these institutions are made aware that mutual cooperation should not start from the point of their wanting to narrow the Soviet Union's economic gap at the expense of the Zimbabwean economy.

43. Given these circumstances it becomes evident to reiterate once more that both private and public Zimbabwean export firms will require to examine all possible available methods, necessary in introducing their export products in the Soviet market. For example:

13/ See ECA Propsects for Developing Trade between African Countries and the USSR and Major Market Opportunities, E/ECA/TRADE/90, Addis Ababa, 28 August 1987.

(a) Where a trade or economic agreement between Zimbabwe and the USSR exists, every effort should be made to have the Agreement revised to specifically include those export products with specific FTOs assuming that these Soviet enterprises are now able to operate more liberally under the "Radically Restructured Economic Management" and therefore free from interference from the top;

(b) Zimbabwean firms should promote their export products through the effective use of joint/mixed commissions but not overlooking the other side of the "equation" which implies the Soviet Union's own desire to bridge their declared economic gap;

(c) Zimbabwean firms should sponsor trade delegations from the USSR to acquaint them with Zimbabwean products as is the case with this Seminar held in conjunction with the current nation's Trade Fair; and

(d) The issue of credit and forms of settlement as well getting the goods to and from, deserves equal attention.

Table 1

Trends of Africa's and Zimbabwe's Trade

(value in millions of US dollars)

	1980	1981	1982	1983	1984	1985	1986
World							
Imports	2049780	2034650	1907893	1878706	1987234	2026982	2219708
Exports	1990568	1972439	1830879	1807880	1902043	1924406	2123118
Balance of Trade	-59213	-62210	-77015	-70827	-85191	-102576	-96590
Developing Africa							
Imports 1/	74615	85957	75814	68817	62836	61044	62198
(Zimbabwe)	(1290)	(1472)	(1430)	(1052)	(959)	(969)	(985)
Exports	94632	75985	66011	61270	62251	61060	57923
(Zimbabwe)	(1423)	(1406)	(1273)	(1128)	(1003)	(1053)	(1019)
Balance of Trade	20017	-9972	-9803	-7547	-585	16	-4275
(Zimbabwe)	(132)	(-67)	(157)	(77)	(44)	(84)	(34)

Sources: (i) UN Monthly Bulletin of Statistics January 1988.
(ii) UN Monthly Bulletin of Statistics November 1987.
(iii) UN Monthly Bulletin of Statistics August 1987.
(iv) UN Monthly Bulletin of Statistics May 1984.
(v) UN Monthly Bulletin of Statistics August 1983
(vi) UN 1985 International Trade Statistics Yearbook Volume I 1987.
(vii) ECA Statistics Data base.

1/ Imports f.o.b.

Table 2

Year to Year Changes(Growth Rates)of Trade: Africa and Zimbabwe

(per cent)

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
IMPORTS						
World	0.7	-6.2	1.5	5.8	2.0	9.5
Developing Africa	15.2	11.8	9.2	8.7	-2.9	1.9
Zimbabwe	14.1	-2.8	-26.4	-8.8	1.0	1.6
EXPORTS						
World	-0.9	-7.2	1.3	5.2	1.2	10.3
Developing Africa	-19.7	-13.1	-7.2	1.6	-1.9	-5.1
Zimbabwe	1.2	9.4	-11.4	-11.1	5.0	-3.2

Source: Derived from Table 1.

Table 3

Selected Portion of Zimbabwe's Direction of Trade Flow

(US$ million)

	1980	1981	1982	1983	1984	1985	1986
World	1414.8	1407.9	1275 7	1012 5	1010.7	1112.7	999.5
Centrally planned economies	.	59.7	10.2	36.3	51.3	80.0	67.3
% Centrally Planned	...	4.2	0.8	3.6	5.1	7.2	6.7
Specifically USSR (%)	...	0.5	0.1	.			1.9

Source: IMF. Direction of Trade Statistics 1987.

Symbols used:

... = data not available

. = negligible